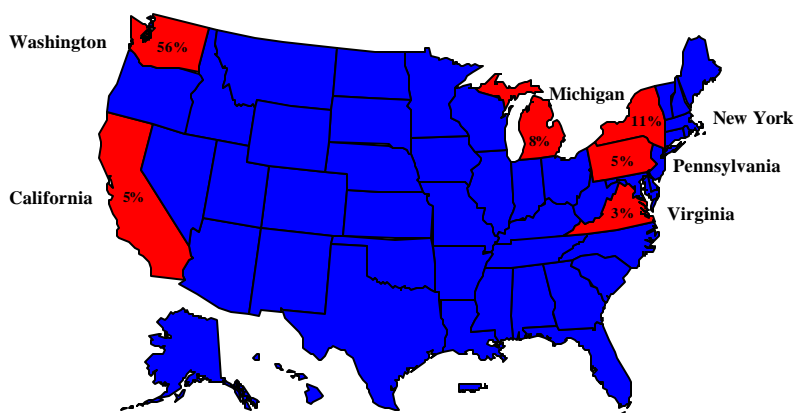


Apple Update

U.S. PRODUCTION

Apple production in the United States during the marketing year (MY) 2004/2005 is expected to increase to about 4.3 million tons, up nearly 10 percent from the previous year. A 20-percent increase in Washington apple production and an 8-percent increase in New York more than offset an 18-percent decline in Michigan. The overall 10-percent increase, however, reflects a return to more average levels after several years of shorter crops.

Six States Account for Most Apples Produced in the United States (2004)



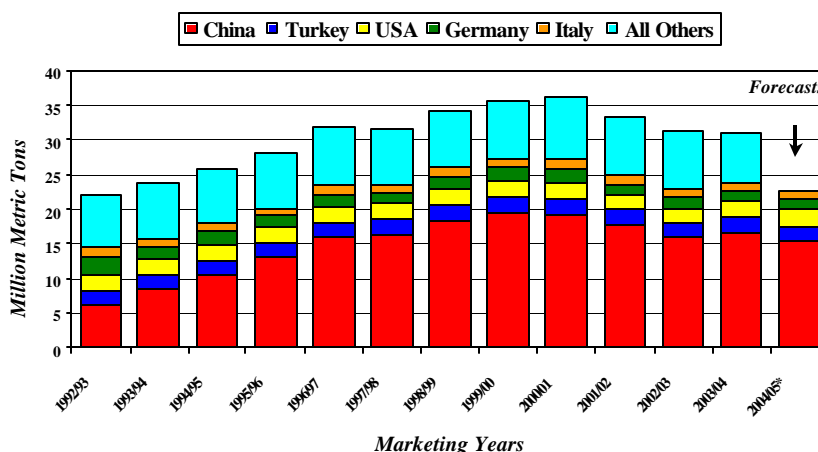
Source: USDA National Agricultural Statistics Service

The National Agricultural Statistics Service (NASS) will release the Non-citrus Fruits and Nuts Preliminary Summary on Monday, January 25, 2005, which will provide utilized production and price figures for 2004.

CONSUMPTION

Apple consumption in the United States is expected to increase nearly 10 percent during MY 2004/05 (July-June). However, globally, consumption continues to be stagnant or declining. Overall fresh fruit consumption in many developed countries is increasing with improved availability and choice across the fruit category. The apple, although included in the “Five-a-day” program in a number of these countries, is a maturing segment of the fruit market. New apple varieties are helping to offset this disadvantage, and the U.S. industry has proven very proactive in this regard.

World Fresh Apple Consumption Expected To Continue Decline; China Still Largest Apple Consumer



Source: USDA Agricultural Attaché Reports and the U.S. National Agricultural Statistics Service.
* 2004/2005 estimate for “Other” Countries will be released March 2005

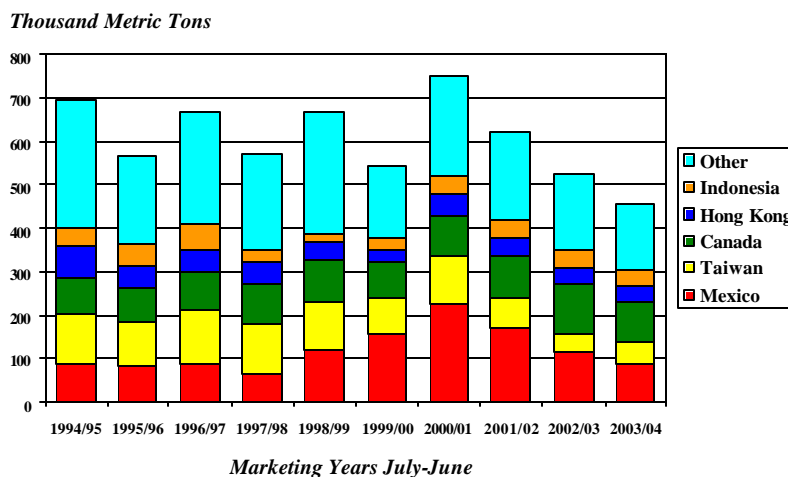
TRADE

U.S. apple exports continue to decline

U.S. apple export quantities for MY 2003/04 declined another 13 percent from the year before. Export quantities had already declined during MY 2002/03 across all top five markets including Mexico, Canada, Taiwan, Indonesia, and Hong Kong. Canada is the top market for U.S. apples in value terms for a second consecutive year. During 2003/04, Mexico, previously the most important market for U.S. apples, lost its top rank in volume with a drop of 23 percent. Exports for 2004/05 are forecast at a modest 4-percent increase.

The United States is slowly losing market share to China and the EU-15 (not including intra trade – most EU apples are marketed to EU countries).

U.S. Apple Exports Decline 13 Percent in MY 2003/04; Canada Still the Principal Destination



Source: U.S. Department of Commerce, Bureau of the Census.

Over the years, apple trade between the United States and Mexico has been contentious. Mexico's 2004 applied tariff for U.S. apples is zero; however, antidumping duties for U.S. red and golden delicious apples remain at 46.58 percent. On July 7, 2004, the Mexican Secretariat of Economy published in the Diario Oficial (Federal Register) that it needed additional information to review the U.S. imported Red and Golden Delicious apple antidumping duty compensatory duty. Parties were given 28 working days to provide further information to the Mexican Government. For more information, please see Gain Report #MX 4084 at <http://www.fas.usda.gov/scripts/attacherep/default.asp>

China, for the first time in 2003/04, exceeded the United States in exports of apples by more than 250,000 metric tons. The current estimate for China's apple exports is expected to exceed the U.S. by 375,000 metric tons. In 2004/05, China is expected to take the lead on world apple exports away from France. FAS/USDA no longer receives a report from France on fresh deciduous fruit -- estimated French apple export figures will be confirmed when the data becomes available through the Global Trade Atlas database.

Canada to allow fresh apples from China

The Canadian Food Inspection Agency (CFIA) lifted its suspension on the importation into Canada of apples from Shaanxi province in October 2004. Imports had been suspended by the CFIA due to interceptions of quarantine pests. In recent years, the importation of fresh apples from China has been subject to a trial importation period administered by the CFIA. Canadian plant health officials visited China in August and September of 2004, inspecting orchards in Shaanxi and meeting with their Chinese counterparts. The inspection team determined that the Chinese had adequate control measures in place for a specific insect pest. Canadian imports of Chinese fresh apples have grown sharply since phytosanitary requirements for their importation were first established in 2002. During MY2003/04 (July – June) Canadian imports of Chinese

apples reached 3,299 metric tons making China the fifth most important supplier to the Canadian import market for fresh apples. The United States is the leading supplier of fresh apples to Canada, with apples imported from the United States topping 95,000 metric tons in 2003/04, accounting for 70 percent of the Canadian fresh apple import market.

(For information on production and trade, contact Heather Velthuis at 202-720-9792. FAS attaché on reports on deciduous fruits can be found in the FAS home page at: <http://www.fas.usda.gov/scripts/attacherep/default.asp> Specific data on world production, supply, and demand for apples can be located at http://www.fas.usda.gov/psd/complete_tables/HTP-table6-102.htm. Also, visit our apple web page at <http://www.fas.usda.gov/http/horticulture/apple.html>